

St/I/R

15 April 1957

THRU : Chief, D/S
Chief, S/TF

Requirements for information concerning Afghanistan's economic relations with the Sino-Soviet Bloc and the economy of Afghanistan

To analyze and evaluate the extent of Afghanistan's economic relations with the Sino-Soviet Bloc, it is necessary to know (1) details of the economic relations between Afghanistan and the Bloc countries and (2) details of the Afghan economy itself. The following list of requirements are primarily general in nature. More detailed requirements on specific subjects will be supplied on request. It should be emphasized that the lack of overt information about the Afghan economy makes receipt of such information a necessity to the analyzation effort.

1. Afghanistan's economic relation with Bloc countries

A. Trade

Comprehensive trade figures are greatly needed. If possible, these should be as complete a breakdown of the statistics as is available as to value, commodity, and direction of trade. It would also be helpful to know which Afghan Ministries are purchasing what goods, and what Afghan goods are going to which Bloc countries. Copies of trade contracts are desired. Information as to the satisfaction of the Afghans with the methods of trade, goods received, prices of goods, etc. will be appreciated. Also, any difficulties encountered in trading with the Bloc, and any delays in fulfilling contracts would be worth knowing about.

B. Transit

In connection with the Afghan-Soviet transit agreement, any additional information as to the relative cost of the Soviet route vis-a-vis the Pakistan route would be helpful. Of particular interest is the internal cost of transporting goods to and from the Soviet border to Kabul as opposed to transport to and from the Pakistan border. In addition, information as to the length of time required for shipment through the USSR, condition of goods on arrival, ability of Afghan exporters to meet Soviet regulations as to crating of goods, etc., is desired.

C. Economic aid

Very complete and detailed information concerning the Bloc's program of loans, grants, and technical assistance for economic development is needed. This should include answers to questions such as (1) What are the exact terms of the loans? (2) If repayment of the loan principal is not to begin for several years, are the Afghans obliged to service that portion of the loan drawn in the years prior to the start of principal repayment, i.e. are they currently paying interest on that part of the loan which has been utilized? (3) What portion of the \$100 million loan has been utilized, and how?

D. Projects

At present we have no information as to the cost procedures on individual projects. Do the Soviets submit any cost accounting during the construction of a project or at the completion of a project? Are the projects contracted for in package deal at a fixed cost to the Afghans or are they on a cost plus basis? Do the project contracts under the \$100 million loan include payment of all cost or are the technical services provided for in separate contracts, perhaps not financed by the \$100 million loan? Also, do the Afghans finance the entire project with the loan or only the foreign exchange requirements, i.e. only Bloc goods and/or services of Bloc technicians? There is a need for information on a continuing basis as to the progress of individual projects, any difficulties encountered, any difference between the contracted price and the actual cost of the projects, numbers of personnel engaged on the projects, both Bloc and Afghan, and the positions, salaries, etc. of the individuals.

2. The economy of Afghanistan

A. External

To evaluate the effect of the economic relations with the Bloc, it is necessary to know Afghanistan's trade with the entire world by commodity, value, and direction. In this case, as in all others involving statistics, it would be most helpful to have information as to the methodology used in deriving the figures. Balance of payment statistics are also needed. Any information concerning rates of exchange used in economic transactions and factors influencing these rates is desired. Copies of contracts, trade and other, between Afghanistan and countries other than the Bloc would aid in evaluating the Bloc's activities.

B. Internal

It would be useful to know about the progress in the implementation of the Five Year Plan and any changes that might be made in the plan. Along this same line would be information concerning the various Ministries' budgets and copies of the budgets themselves. Details about financing of the development plans and other governmental expenditure is needed. This should include details of taxes, deficit financing, etc. Relations between the government and private business, particularly the Bank-i-Melli, are of interest. Other aspects of interest are changes in the amount of currency in circulation, causes and effects of inflation, estimates of national income, etc.

3. Arms

Not treated in the above requirements is the problem of arms, military training, etc. There is, of course, a continuing interest in information concerning the exact nature of the agreements with the Bloc countries, the nature of the equipment received, the volume of Bloc personnel involved in servicing the equipment, training Afghan military personnel, etc.

25X1A9a ORR/S/TF/SPz [REDACTED] ida/2085 (15 Apr 57)

[REDACTED] 25X1A9a